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SIPDIS

DEPARTMENT FOR EUR/CE; PLEASE PASS TO NSC FOR ADAM STERLING

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TAGS: [PGOV](#) [HU](#)

SUBJECT: COALITION OF THE UNWILLING: THE MSZP AND THE SZDSZ
TAKE A STEP CLOSER

REF: BUDAPEST 899 AND PREVIOUS

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

A "NOALITION" IS BORN?

11. (SBU) Following a succession of publicized meetings and a series of private contacts, the MSzP and the SzDSz appear to have moved from open conflict to ambiguous accord.

12. (U) In public comments following a meeting with SzDSz Party President Gabor Fodor September 23, Prime Minister Gyurcsany indicated that the parties had "more or less" reached an agreement to cooperate on "key issues."

13. (U) Although Fodor ruled out a formal return to a Gyurcsany-led cabinet in his public remarks, emphasizing only his willingness to cooperate on "intelligent issues," FIDESZ Party President Viktor Orban commented that the SzDSz appears to be "moving again from supporting a cabinet of technocrats (reftel) toward the coalition." Fodor ally Laszlo Csozik believes that the party will not return to a formal coalition, but suspects that the SzDSz faction may simply absent itself from upcoming votes on the government's draft budget and tax package in order to give the MSzP a majority of voting members.

WHAT'S IN IT FOR ME?

14. (C) Observers and party insiders anticipate that there will be unspecified changes to the government's tax proposal to accommodate some SzDSz concerns) likely deficit reduction and further reform for corporations. But, as MSzP MP Attila Mesterhazy observes, "it's difficult to negotiate with the SzDSz because they don't know what they want ... or even who's in charge." Although Mesterhazy emphasizes that some in the MSzP leadership want to be "empathetic," he believes that "our voters hate the SzDSz and now Gyurcsany hates Fodor."

15. (C) As a result, he believes that there will be clear limits to the MSzP's willingness to fly in the face of "social solidarity." They have, for example, refused to walk away from their proposal to introduce a controversial 8 percent "Robin Hood" tax on energy companies to subsidize heating costs, and they are unlikely to reduce the projected increases in pension benefits given their reliance on votes from retirees. As DEMOS Foundation President and Gyurcsany confidante Tibor Desszewffy comments, "we need two parties on the left to win an election, but there's little desire to help the SzDSz - and even less money in the budget to do so."

IT WALKS LIKE A COALITION, IT QUACKS LIKE A COALITION (

16. (C) COMMENT: Fodor's critics) and there are many) will argue that he received very little in return for his prolonged brinksmanship. Under increasing pressure from within the party to end his "kamikaze approach," Fodor may

have been persuaded that even an informal (and as yet ill-defined) understanding with the MSzP is preferable to continuing on the SzDSz's collapsing orbit. Even so, Desszewffy believes that Fodor has "devastated the party" and "lost 20 years of credibility in 2 weeks." Csozik and Mesterhazy agree, with the latter concluding that Fodor has "lost face ... and lost his way." Having blinked, Fodor now risks appearing both less principled and less-than-resolute. By contrast, analysts including conservative commentator Istvan Stumpf believe that even this ambiguous entente with the SzDSz will shore up the PM's position - perhaps through [1](#)2010. Although Mesterhazy says a formal coalition is "out of the question," if this tactical agreement holds, the government can look forward to surviving the upcoming votes on its budget and tax proposals, further extending Gyurcsany's unlikely streak as Hungary's long-serving post-transition Prime Minister. End Comment.
Foley